

TESTIMONY
SENATE EDUCATION COMMITTEE

March 12, 2009

DOUG ROTHWELL, PRESIDENT
DETROIT RENAISSANCE

Detroit Renaissance strongly opposes the proposal to offer teachers an “early out” bonus that would add, according to state and independent third-party estimates, as much as \$2 billion in additional indebtedness to the state retirement system. For the past year, Detroit Renaissance has advocated that the state make significant structural reforms to achieve sustainable fiscal health. Unfortunately, we have seen few actions that address the underlying cause of this year’s projected \$1 billion deficit, next year’s \$1.5 billion deficit and a projected \$7 billion deficit by 2017 – excessive employee benefit, Medicaid and Corrections expenditures.

The “early out” bonus will merely exacerbate the deficit further. Rather than enact reforms that reduce future teacher retirement obligations, such as moving to a defined contributions system or reducing the benefit levels to that of state employees or the private sector, this proposal does exactly the opposite. It adds costs that can’t even be offset by short-term budget savings! We refer you to a study we commissioned by the Anderson Economic Group for more information.

Michigan needs a strong dose of medicine if it’s going to be an attractive state for business investment that doesn’t require the state to incentivize every new location decision. You could send a strong signal that the legislature understood the economic challenges facing our state by enacting legislation that moves all new teacher hires to a defined contribution system and rejecting this “early out” proposal.